



[Billing code: 6750-01-S]

FEDERAL TRADE COMMISSION

Agency Information Collection Activities; Proposed Collection; Comment Request; Extension

AGENCY: Federal Trade Commission (“FTC” or “Commission”).

ACTION: Notice.

SUMMARY: The information collection requirements described below will be submitted to the Office of Management and Budget (“OMB”) for review, as required by the Paperwork Reduction Act (“PRA”). The FTC is seeking public comments on its proposal to extend through January 31, 2017, the current PRA clearance for its shared enforcement authority with the Consumer Financial Protection Bureau (“CFPB”) for information collection requirements contained in the CFPB’s Regulation O. That clearance expires on January 31, 2014.

DATES: Comments must be filed by **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

ADDRESSES: Interested parties may file a comment online or on paper, by following the instructions in the Request for Comment part of the **SUPPLEMENTARY INFORMATION** section below. Write “Regulation O PRA Comment, FTC File No. P134812” on your comment and file your comment online at <https://ftcpublishcommentworks.com/ftc/regulationopra> by following the instructions on the web-based form. If you prefer to file your comment on paper, mail or deliver your comment to the following address: Federal Trade Commission, Office of the Secretary, Room H-113 (Annex J), 600 Pennsylvania Avenue, NW, Washington, DC 20580.

FOR FURTHER INFORMATION CONTACT: Requests for additional information or copies of the proposed information requirements should be addressed to Rebecca Unruh, Attorney, Division of Financial Practices, Bureau of Consumer Protection, Federal Trade

Commission, 600 Pennsylvania Ave., NW, Washington, DC 20580, (202) 326-3565.

SUPPLEMENTARY INFORMATION: Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), Public Law 111–203, 124 Stat. 1376 (2010), transferred the Commission’s rulemaking authority under the mortgage provisions in section 626 of the 2009 Omnibus Appropriations Act, as amended,¹ to the CFPB.² On December 16, 2011, the CFPB republished the Mortgage Assistance Relief Services (“MARS”) Rule as Regulation O (12 CFR 1015).³ As a result, the Commission subsequently rescinded its MARS Rule (16 CFR part 322).⁴ Nonetheless, under the Dodd-Frank Act, the FTC retains its authority to bring law enforcement actions to enforce Regulation O.⁵

Regulation O contains information requirements that have been approved by OMB under the PRA, 44 U.S.C. 3501 et seq. The discussion immediately below details the nature of and justification for the information collection requirements of Regulation O for which the FTC, as a co-enforcer, seeks OMB clearance for its share of the estimated PRA burden.

Disclosure requirements

In commercial communications for a general audience, MARS providers are required to make the following disclosure:

- (1) “(Name of company) is not associated with the government and our service is not approved by the government or your lender”; and
- (2) in some instances, that “[e]ven if you accept this offer and use our service, your lender may not agree to change your loan.”

¹ Public Law 111–8, section 626, 123 Stat. 524 (Mar. 11, 2009).

² Dodd-Frank Act, § 1061, 12 U.S.C. 5581 (2010).

³ 76 FR 78130.

⁴ 77 FR 22200 (April 13, 2012).

⁵ Dodd-Frank Act, § 1061(b)(5), 12 U.S.C. 5581(b)(5).

In addition, MARS providers must disclose to consumers, in any subsequent commercial communication directed to a specific consumer, the following information:

- (1) that “You may stop doing business with us at any time. You may accept or reject the offer of mortgage assistance we obtain from your lender [or servicer]. If you reject the offer, you do not have to pay us. If you accept the offer, you will have to pay us (insert amount or method for calculating the amount) for our services”;
- (2) that “(Name of company) is not associated with the government and our service is not approved by the government or your lender”; and
- (3) in some instances, that “[e]ven if you accept this offer and use our service, your lender may not agree to change your loan.”

Furthermore, MARS providers are required to disclose to consumers in all communications in which the provider represents that the consumer should temporarily or permanently discontinue payments, in whole or in part, the following information:

“If you stop paying your mortgage, you could lose your home and damage your credit rating.”

Finally, after a provider has obtained an offer of mortgage assistance relief from the lender or servicer and presented the consumer with a written agreement incorporating the offer, the MARS provider must disclose the following:

- (1) “This is an offer of mortgage assistance relief service from your lender [or servicer]. You may accept or reject the offer. If you accept the offer, you will have to pay us [same amount as disclosed pursuant to § 1015.4(b)(1)] for our services”; and
- (2) a description of all “material differences” between the terms, conditions, and limitations of the consumer’s current mortgage and those associated with the offer for

mortgage relief, provided in a written notice from the consumer's lender or servicer.

Regulation O also requires that the disclosures be "clear and prominent," as defined specific to the media used.⁶

The FTC and CFPB ("Agencies") believe the above-noted disclosures are necessary for the following reasons:

- Non-affiliation with the government or lenders: Federal and state law enforcement officials have brought numerous law enforcement actions against MARS providers who have misrepresented their affiliation with government agencies or programs, lenders, or servicers, in connection with offering MARS. These providers have used a variety of techniques to create such misimpressions, including advertising under trade names that resemble the names of legitimate government programs. Given that the government, for-profit entities, and nonprofit entities assist financially distressed consumers with their mortgages, and the frequency of deceptive affiliation claims, the requirement that MARS providers disclose their nonaffiliation with the government or with consumers' lenders or servicers is reasonably related to the goal of preventing deception.
- Risk of Nonpayment of Mortgage: The FTC's rulemaking record for the former MARS Rule demonstrated that MARS providers frequently encourage consumers, often through deception, to stop paying their mortgages and instead pay providers. Consumers who rely on these deceptive statements frequently suffer grave financial harm. Requiring MARS providers who encourage consumers not to pay their mortgages to disclose the risks of following this advice is necessary to prevent deception.
- Total amount a consumer must pay: The total cost of MARS is perhaps most material to

⁶ See 12 CFR 1015.2, 1015.5.

consumers in making well-informed decisions on whether to purchase those services.

Requiring the clear and prominent disclosure of total cost information in every communication directed at a specific consumer before the consumer enters into an agreement would decrease the likelihood that MARS providers will deceive prospective customers with incomplete, inaccurate, or confusing cost information. Requiring MARS providers to disclose total cost information clearly and prominently is reasonably related to the prevention of deception.

- Right to accept or reject offer of mortgage assistance: To effectuate fully the advance fee ban under 12 CFR 1015.5, which prohibits providers from collecting fees until the consumer has accepted the results obtained by the provider, it also is necessary for a MARS provider to inform consumers that they may withdraw from the service and may accept or reject the result delivered by the provider. This disclosure is reasonably related to preventing unfair and deceptive acts and practices by MARS providers.
- No guarantee: The FTC's rulemaking record revealed that MARS providers often misrepresent their likelihood of success in obtaining a significant loan modification for consumers. These deceptive success claims lead consumers to overestimate MARS providers' abilities to obtain substantial loan modifications or other relief. Requiring MARS providers to inform consumers that lenders might not agree to change consumers' loans, even if those consumers purchase the services that the MARS provider offers, is reasonably related to the goal of preventing deception.
- Written Notice from Lender or Servicer: Based on law enforcement experience and the rulemaking record, the Agencies believe that providing the consumer with a notice from the consumer's lender or servicer describing all material differences between the

consumer's current mortgage loan and the offered mortgage relief is essential to consumers' ability to evaluate whether they should accept the offer. Requiring that the lender or servicer prepare the written disclosure also better ensures that the information provided is consistent with the terms of the offer, and mitigates the risk that MARS providers would mislead consumers about the offer. This disclosure is reasonably related to the goal of protecting consumers from deception.

Recordkeeping requirements

In some instances, Regulation O's recordkeeping requirements pertain to records that are customarily kept in the ordinary course of business, such as copies of contracts and consumer files containing the name and address of the borrower and materially different versions of sales scripts and related promotional materials. Thus, the retention of these documents does not constitute a "collection of information," as defined by OMB's regulations that implement the PRA.⁷

In other instances, Regulation O requires providers to create and retain documents demonstrating their compliance with specific rule requirements. These include the requirement that providers document the following activities:

- (1) performing MARS and retaining documentation provided to the consumer;
- (2) monitoring sales presentations by recording and testing oral representations if engaged in telemarketing of services;
- (3) establishing a procedure for receiving and responding to consumer complaints;
- (4) ascertaining, in some instances, the number and nature of consumer complaints; and
- (5) taking corrective action if sales persons fail to comply with Regulation O, including

⁷ 5 CFR 1320.3(b)(2).

training and disciplining sales persons.

At the time it submitted the FTC Final Rule for OMB review, the FTC determined that the information obtained from the rulemaking record established the need for these recordkeeping requirements. The FTC concluded that there appeared to be widespread deception and unfair practices in the MARS industry, targeting financially vulnerable consumers. Accordingly, the Agencies believe that strong recordkeeping requirements are needed to ensure effective and efficient enforcement of Regulation O and to identify injured consumers.

Burden Statement:

Because the FTC and CFPB share enforcement authority for this rule, the FTC is seeking clearance for one-half of the following estimated PRA burden that the FTC attributes to the disclosure and recordkeeping requirements under Regulation O. The potential entities providing MARS services are varied, and there are no ways to formally track them. By extension, there is no clear path to track how many affected individual entities have newly entered and departed from one year to the next or from one triennial PRA clearance cycle to the next. For simplicity, the FTC analysis will continue to treat covered entities as newly undergoing the previously assumed learning curve cycle, although this would effectively overstate estimated burden for unidentified covered entities that have remained in existence since OMB's most recently issued PRA clearance for the FTC Rule. Based on law enforcement experiences and information in the rulemaking record, the FTC estimates that Regulation O affects roughly 500 MARS providers.⁸ This estimate and the corollary assumption stated above inform the additional estimates detailed below.

Estimated annual hours burden: 65,000 hours, pre-split

⁸ 75 FR 75091, 75095 (Dec. 1, 2010) (FTC final rule).

The above hours estimate is based on the following assumptions:

- (1) Disclosures required incremental to Government-supplied language: 500 MARS providers x 2 hours each (1,000 hours)
- (2) Initial setup: creating procedures to monitor compliance: 500 MARS providers x 25 hours each (12,500 hours)
- (3) Documenting compliance, monitoring sales presentations, related training: 500 MARS providers x 100 hours each (50,000 hours)
- (4) Retaining and filing records of compliance: 500 MARS providers x 3 hours each (1,500 hours)

Estimated associated labor cost: \$3,733,950, pre-split

Commission staff assumes that management personnel will prepare the required disclosures and implement and monitor compliance procedures at an hourly rate of \$58.47.⁹ Thus, the estimated labor cost to prepare the required disclosures is \$58,470 (1,000 hours x \$58.47) and to institute and document compliance procedures (tasks (2) and (3) listed above) is \$3,654,375 (62,500 hours x \$58.47). Additionally, FTC staff estimates that related recordkeeping will be performed by office support file clerks at an hourly rate of \$14.07¹⁰. Thus, labor costs for recordkeeping will be \$21,105 (1,500 hours x \$14.07), for a total estimated labor cost (pre-split) of \$3,733,950.

Estimated non-labor cost: \$500,000

The FTC assumes that each of the estimated 500 MARS providers will make required disclosures in writing to approximately 1,000 consumers annually. Under these assumptions,

⁹ This estimate is based on an averaging of the mean hourly wages for sales and financial managers provided by the Bureau of Labor Statistics. OCCUPATIONAL EMPLOYMENT AND WAGES — MAY 2012, Table 1 (National employment and wage data from the Occupational Employment Statistics survey by occupation, May 2012).

¹⁰ *Id.* (for office clerks).

non-labor costs will be limited mostly to printing and distribution costs. At an estimated \$1 per disclosure, total non-labor costs would be \$1,000 per provider or, cumulatively for all providers, \$500,000. Associated costs would be reduced if the disclosures are made electronically.

Accounting for half of the above totals, the FTC's share of burden hours is 32,500 hours, \$1,866,975 for labor costs, and \$250,000 for non-labor costs.

Request for Comment:

Under the PRA, 44 U.S.C. 3501-3521, federal agencies must obtain approval from OMB for each collection of information they conduct or sponsor. "Collection of information" means agency requests or requirements that members of the public submit reports, keep records, or provide information to a third party. 44 U.S.C. 3502(3); 5 CFR 1320.3(c). As required by section 3506(c)(2)(A) of the PRA, the FTC is providing this opportunity for public comment before requesting that OMB extend the existing paperwork clearance for the regulations noted herein.

Pursuant to Section 3506(c)(2)(A) of the PRA, the FTC invites comments on: (1) whether the disclosure and recordkeeping requirements are necessary, including whether the information will be practically useful; (2) the accuracy of our burden estimates, including whether the methodology and assumptions used are valid; (3) ways to enhance the quality, utility, and clarity of the information to be collected; and (4) ways to minimize the burden of the collection of information. All comments should be filed as prescribed in the **ADDRESSES** section above, and must be received on or before **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

You can file a comment online or on paper. For the Commission to consider your comment, we must receive it on or before **[INSERT DATE 60 DAYS AFTER DATE OF**

PUBLICATION IN THE FEDERAL REGISTER]. Write “Regulation O PRA Comment, FTC File No. P134812” on your comment. Your comment – including your name and your state – will be placed on the public record of this proceeding, including, to the extent practicable, on the public Commission Website, at <http://www.ftc.gov/os/publiccomments.shtm>. As a matter of discretion, the Commission tries to remove individuals’ home contact information from comments before placing them on the Commission Website.

Because your comment will be made public, you are solely responsible for making sure that your comment does not include any sensitive personal information, like anyone’s Social Security number, date of birth, driver’s license number or other state identification number or foreign country equivalent, passport number, financial account number, or credit or debit card number. You are also solely responsible for making sure that your comment does not include any sensitive health information, like medical records or other individually identifiable health information. In addition, do not include any “[t]rade secret or any commercial or financial information which is obtained from any person and which is privileged or confidential,” as provided in Section 6(f) of the FTC Act, 15 U.S.C. 46(f), and FTC Rule 4.10(a)(2), 16 CFR 4.10(a)(2). In particular, do not include competitively sensitive information such as costs, sales statistics, inventories, formulas, patterns, devices, manufacturing processes, or customer names.

If you want the Commission to give your comment confidential treatment, you must file it in paper form, with a request for confidential treatment, and you have to follow the procedure explained in FTC Rule 4.9(c), 16 CFR 4.9(c).¹¹ Your comment will be kept confidential only if

¹¹ In particular, the written request for confidential treatment that accompanies the comment must include the factual and legal basis for the request, and must identify the specific portions of the comment to be withheld from the public record. *See* FTC Rule 4.9(c), 16 CFR 4.9(c).

the FTC General Counsel, in his or her sole discretion, grants your request in accordance with the law and the public interest.

Postal mail addressed to the Commission is subject to delay due to heightened security screening. As a result, we encourage you to submit your comments online. To make sure that the Commission considers your online comment, you must file it at <https://ftcpublic.commentworks.com/ftc/regulationopra>, by following the instructions on the web-based form. If this Notice appears at <http://www.regulations.gov/#!/home>, you also may file a comment through that website.

If you file your comment on paper, write “Regulation O PRA Comment, FTC File No. P134812” on your comment and on the envelope, and mail or deliver it to the following address: Federal Trade Commission, Office of the Secretary, Room H-113 (Annex J), 600 Pennsylvania Avenue, NW, Washington, DC 20580. If possible, submit your paper comment to the Commission by courier or overnight service.

Visit the Commission Website at <http://www.ftc.gov> to read this Notice and the news release describing it. The FTC Act and other laws that the Commission administers permit the collection of public comments to consider and use in this proceeding as appropriate. The Commission will consider all timely and responsive public comments that it receives on or before **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**. You can find more information, including routine uses permitted by the Privacy Act, in the Commission’s privacy policy, at <http://www.ftc.gov/ftc/privacy.htm>.

David C. Shonka
Principal Deputy General Counsel.

